

**COMMONWEALTH OF MASSACHUSETTS
BEFORE THE
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

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PETITION OF WESTERN)	
MASSACHUSETTS ELECTRIC)	D.T.E. 02-xx
COMPANY)	
)	

**WESTERN MASSACHUSETTS ELECTRIC COMPANY’S PETITION
FOR APPROVAL OF ISSUANCE OF LONG-TERM DEBT AND
INTEREST RATE HEDGES**

I.. INTRODUCTION

1. Western Massachusetts Electric Company (“WMECO”) hereby petitions the Department of Telecommunications and Energy (“Department”) for approval, under Section 14 of Chapter 164 of the General Laws, to issue long-term debt securities in an amount not to exceed \$105 million in principal (“Long-term Debt”), during the period October 1, 2002 through December 31, 2003. WMECO is a subsidiary of Northeast Utilities (“NU”) and an electric company duly organized and existing under the laws of the Commonwealth of Massachusetts. WMECO is subject to the jurisdiction of the Department.

2. The Long-term Debt is reasonably necessary for the purpose of refinancing a portion of outstanding short-term debt (consisting of revolving credit and system money pool borrowings), which was incurred by WMECO for investment in working capital and construction projects, and for the financing of WMECO's prior spent nuclear fuel ("PSNF") obligations incurred in connection with WMECO's prior partial ownership of the Millstone nuclear generating stations in Waterford, Connecticut ("Millstone"). The PSNF liability is the liability of WMECO to the U.S. Department of Energy ("DOE") under the Nuclear Waste Policy Act of 1982, to pay for the disposal of spent nuclear fuel and high-level radioactive waste used at Millstone prior to 1983. In March 2001, as a result of the sale by WMECO of its interest in Millstone to a subsidiary of Dominion Resources, Inc. ("DRI"), DRI assumed WMECO's PSNF liability.

3. WMECO also requests that the Department find it to be in the public interest to exempt WMECO from the requirements of G.L. c. 164, §§ 15 and 15A in connection with the issuance of the Long-term Debt. Lastly, WMECO seeks approval to enter into interest rate hedging transactions from time to time in connection with any outstanding or prospective short-term or long-term debt.

II. BACKGROUND

1. The exact legal name of WMECO and its principal place of business are:

Western Massachusetts Electric Company
174 Brush Hill Avenue
West Springfield, Massachusetts 01089

2. The name, title, address and telephone number of the attorneys or other persons to whom correspondence or communications in regard to this petition are to be addressed:

Mr. Randy A. Shoop
Assistant Treasurer - Finance
Western Massachusetts Electric Company
c/o Northeast Utilities Service Company
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3. WMECO currently has issued and outstanding 509,696 shares of its Common Stock with a par value of \$25 per share and no shares of Preferred Stock outstanding.

4. As of June 30, 2002, WMECO had issued and outstanding long-term debt and other long-term obligations in the aggregate principal amount of approximately \$101,599,072 as follows:

(a) Pollution Control Notes, 5.85% 1993 Series in the aggregate principal amount of \$53,800,000 due in 2028; and

(b) PSNF obligations of approximately \$47,799,072.

5. In addition, WMECO had approximately \$81,400,000 in outstanding short-term debt that WMECO incurred through revolving credit facilities and the system money pool.

6. Finally, WMECO has approximately \$147,185,000 in outstanding rate reduction bonds.

7. WMECO now wishes to issue Long-term Debt up to a maximum of \$105 million and use the proceeds thereof to establish and fund a trust account for the purpose of satisfying the PSNF liability in full, which will remove the PSNF liability from WMECO's accounting books, to refinance a portion of its outstanding short-term debt, and to pay fees and expenses related to the issuance of the Long-term Debt.

III. DESCRIPTION OF PROPOSED FINANCING

1. WMECO proposes to issue and sell up to \$105 million in aggregate principal amount of Long-term Debt with a maturity ranging from 2 to 30 years. The Long-term Debt may be in the form of secured or unsecured notes or bonds, may carry either a fixed or floating interest rate, may be either insured or uninsured, and may be distributed to either retail or institutional investors.

2. WMECO proposes to use the proceeds from the issuance of the Long-term Debt for three purposes: (i) to replace a portion of its currently outstanding short-term debt (ii) to fund an irrevocable trust account for the retirement of its PSNF liability, and (iii) to pay for issuance costs.

3. To remove WMECO's PSNF liability, WMECO proposes using an amount of the proceeds equal to the then current PSNF liability (or less, if DRI agrees to a discounted amount) from the issuance of the Long-term Debt to establish and fund an irrevocable, independent trust, the purpose of which would be to meet future obligations to DRI under contractual arrangements related to the Department of Energy Nuclear Waste Policy Act. As part of the transaction, WMECO would seek agreement of DRI to look only to the assets of the trust to satisfy the PSNF liability of WMECO and to release WMECO from all of its obligations to DRI for PSNF liability. In the event that the DOE determines that there is no PSNF liability or that the PSNF liability should be reduced, the trust documents will require that the difference between the amount required to be paid and the amount forecast to be paid in accordance with the Nuclear Waste Policy Act be returned to WMECO.

IV.. ISSUANCE OF INTEREST RATE HEDGES

As fully described in the accompanying testimony of Randy A. Shoop filed herewith as Exhibit 1, WMECO requests authorization to enter into interest rate hedges (“Hedges”) in order to reduce earnings volatility, minimize loss, and manage exposures and/or risk in connection with the Long-term Debt requested in this Petition as well as with any other currently issued or to-be-issued short-term or long-term debt. The Department has jurisdiction over the issuance of Hedges as an extension of the Department’s jurisdiction, pursuant to G.L. c. 164, § 14, over the issuance of long-term debt.

V EXEMPTION FROM G.L. C. 164, §§15 AND 15a

1. WMECO respectfully requests that the Department waive the requirement in G.L. c. 164, §15, which would otherwise require WMECO to invite proposals for the Long-term Debt issuance and for the Hedges by advertisements in certain newspapers specified in that section. It would be in the public interest for the Department to grant such an exemption because there is already competition in the Company’s solicitation of various investment bankers with broad experience in the debt markets and access to potential investors. The benefits one would expect from publication and competitive bidding are largely inapplicable in this case and such a process is unlikely to yield a more favorable interest rate or more favorable terms on the Long-term Debt or Hedges.

2. WMECO also requests an exemption from the par value requirements of G.L. c. 164, § 15A in connection with the issuance of the Long-term Debt. Such an exemption is in the public interest because market conditions may make it difficult for WMECO to price all of its debt at par value and simultaneously offer an acceptable coupon rate to prospective buyers. In addition, an exemption from the requirements of G.L. c. 164, § 15A is in the public interest because it will enhance WMECO’s flexibility in entering the market quickly to take advantage of prevailing interest rates. Such flexibility could benefit WMECO’s ratepayers in the form of lower interest rates and a lower cost of capital.

VI. SEC JURISDICTION

1. WMECO is subject to the jurisdiction of the Securities and Exchange Commission (“SEC”) under the Public Utility Holding Company Act of 1935, as amended (the “1935 Act”), in a number of different areas, including the issuance of certain securities. However, if the Department approves the issuance of the Long-term Debt and Hedges, such issuance will be exempted from review by the SEC pursuant to Rule 52 under the 1935 Act.

2. A copy of WMECO’s annual report to the SEC on Form 10-K for the twelve months ended December 31, 2001, and its quarterly reports on Form 10-Q for the quarters ended March 31, 2002 and June 30, 2002 are filed herewith as Exhibit 2.

VII. NET PLANT TEST

WMECO meets the Department’s net plant test. As of June 30, 2002, WMECO’s net utility plant (utility plant less accumulated depreciation and less construction work in progress) (\$399,212,000) is equal to or in excess of the sum of its outstanding stock (common and preferred) (not including retained earnings) and long-term debt (not including the PSNF Liability) (aggregate of \$134,531,000). After giving effect to the issuance of the Long-term Debt and the concurrent reduction of a like amount of the PSNF liability on WMECO’s books, as proposed in this Petition, WMECO will still meet the Department’s net plant test as the sum of its outstanding stock and long-term debt will be \$239,531,000.

IX TESTIMONY AND EXHIBITS

At least seven days before the hearing on this petition, WMECO will file in support of this petition those exhibits not listed with an asterisk in Appendix I hereto. Those exhibits listed with an asterisk are being filed with this petition.

WHEREFORE YOUR PETITIONER PRAYS that the Department will determine pursuant to G.L. c. 164, §14:

- (a) That the issue by WMECO of up to \$105 million aggregate principal amount of Long-term Debt is reasonably necessary to enable WMECO to refinance a portion of current short-term borrowings and finance WMECO's PSNF obligations;
- (b) That the aggregate principal amount of Long-term Debt to be issued hereunder shall not exceed \$105 million;
- (c) That WMECO may issue and sell the Long-term Debt in one or more separate series, depending upon market conditions at the time, in a total amount not to exceed \$105 million, during the period through December 31, 2003.
- (d) That granting an exemption from the requirement of newspaper advertisement of a public invitation for proposals in G.L. c.164, § 15, is in the public interest and shall be granted with respect to the issue and sale for the Long-term Debt and the entering into of Hedges;
- (e) That granting an exemption from the requirement of issuance at par in G.L. c.164, §15A, is in the public interest and shall be granted with respect to the issue and sale of the Long-term Debt;
- (f) That the authorization for WMECO to enter into Hedges in connection with any outstanding or prospective short-term or long-term debt is in the public interest and shall be granted.
- (g) That the Department will make such other orders with respect to the proposed issue of the Long-term Debt as it shall deem proper.

Dated this _____ day of September, 2002.

Respectfully submitted,

WESTERN MASSACHUSETTS ELECTRIC COMPANY

By _____
Leonard Rodriguez
Counsel
Northeast Utilities Service Company, as Agent
For Western Massachusetts Electric Company

APPENDIX I

The following testimony and exhibits will be filed as part of the petition of Western Massachusetts Electric Company (WMECO) for the Department of Telecommunications and Energy's approval for the issuance of up to \$105 million aggregate principal amount of long-term debt. Those exhibits noted with an asterisk are being filed with this initial petition and the testimony and remaining exhibits will be filed at least seven days prior to a hearing on this matter.

- *1. Testimony of Mr. Randy A. Shoop, Assistant Treasurer – Finance of WMECO.
- *2. Copies of WMECO's 2001 Annual Report on Form 10-K for the year ended December 31, 2001 and its Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002 and June 30, 2002.
- 3. Resolutions of the Board of Directors dated _____, 2002.
- *4. Pro Forma Financial Statements as of December 31, 2001.
 - 4.1 WMECO Pro Forma Financial Statements reflecting issuance of \$105 million of Long-term Debt.
 - 4.2 Northeast Utilities Pro Forma Financial Statements reflecting issuance of \$105 million of Long-term Debt by WMECO.
- *5. WMECO Net Plant Test.